

**TESTIMONY OF AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL
BEFORE THE COMMITTEE ON GOVERNMENT OPERATIONS
“CONTRACTING AND PROCUREMENT IN
THE DISTRICT OF COLUMBIA”**

DECEMBER 20, 2004

GOOD AFTERNOON, CHAIRMAN ORANGE, AND MEMBERS OF THE COMMITTEE. I WELCOME THE OPPORTUNITY TO SHARE WITH YOU A PERSPECTIVE OF THE ONGOING AUDITS OF DISTRICT PROCUREMENTS. SEATED WITH ME ARE WILLIAM DIVELLO, ASSISTANT INSPECTOR GENERAL FOR AUDITS, AND LADONIA WILKINS, AUDIT DIRECTOR.

AS YOU KNOW, THE OFFICE OF THE INSPECTOR GENERAL (OIG) IS MANDATED BY LAW TO PERFORM AUDITS OF DISTRICT PROCUREMENTS. AS EVIDENCED IN OUR FISCAL YEAR 2005 ANNUAL AUDIT PLAN, WE HAVE RESOLVED TO EXAMINE KEY FUNCTIONAL AREAS OF THE PROCUREMENT PROCESS, INCLUDING PLANNED AUDITS OF SOLE-SOURCE CONTRACTING, CONTRACT ADMINISTRATION FUNCTIONS, EXPERT AND CONSULTING

SERVICE CONTRACTS, CONSTRUCTION CONTRACTS, AND
ADVANCE PAYMENTS TO CONTRACTORS.

WE ARE CURRENTLY PERFORMING TWO PROCUREMENT-RELATED
AUDITS OF INTEREST, ONE INVOLVING A MAJOR INITIATIVE, THE
ADMINISTRATIVE SERVICES MODERNIZATION PROGRAM (ASMP),
AND THE SECOND CONCERNING CONTRACTS AWARDED TO
MARASCO NEWTON/SRA.

THE ASMP AUDIT

THE DISTRICT'S ASMP, ACCORDING TO THE OFFICE OF THE CHIEF
TECHNOLOGY OFFICER (OCTO):

IS A BUSINESS TRANSFORMATION PROJECT FOR THE DISTRICT
GOVERNMENT THAT LEVERAGES BEST PRACTICES FROM BOTH
THE PUBLIC AND PRIVATE SECTORS. THE PROGRAM WILL SAVE
THE DISTRICT APPROXIMATELY \$150 MILLION FROM AN
EXPENDITURE OF \$70 MILLION AND WILL SIGNIFICANTLY
IMPROVE EVERY MAJOR ADMINISTRATIVE FUNCTION. THE
PROGRAM IMPLEMENTATION WILL SPAN APPROXIMATELY
5 YEARS ACROSS THE FOLLOWING ADMINISTRATIVE AREAS:
HUMAN RESOURCES, BUDGET AND PLANNING, PAYROLL/TIME

AND ATTENDANCE, BENEFITS, PENSION, PROCUREMENT, AND
PROPERTY MANAGEMENT.

THE ASMP INITIATIVE IS A CAPITAL PROJECT FUNDED PRIMARILY
BY FIVE DISTRICT AGENCIES, THE OFFICES OF:

1. PERSONNEL;
2. PROPERTY MANAGEMENT;
3. THE CHIEF FINANCIAL OFFICER;
4. CONTRACTING AND PROCUREMENT (OCP); AND
5. THE CHIEF TECHNOLOGY OFFICER.

THE ASMP PROGRAM OFFICE RESIDES WITHIN THE KEY SYSTEMS
DIVISION OF THE OFFICE OF THE CHIEF TECHNOLOGY OFFICER.

THE OBJECTIVES OF THE ASMP AUDIT ARE TO DETERMINE
WHETHER PROCEDURES, PROCESSES, AND MANAGEMENT
CONTROLS ARE IN PLACE TO PROJECT AND ACCUMULATE COSTS
INCURRED AND BENEFITS FOR WORK ASSOCIATED WITH ASMP.
THIS PHASE OF OUR ASMP AUDIT FOCUSES ON INFORMATION
TECHNOLOGY CONTRACTS FOR PROFESSIONAL SERVICES ISSUED
BETWEEN JUNE 2001 AND SEPTEMBER 2004. INFORMATION
TECHNOLOGY PROFESSIONAL SERVICES FROM CONTRACTORS

REPRESENT ABOUT 88 PERCENT OF COSTS ASSOCIATED WITH ASMP. FROM JUNE 2001 THROUGH SEPTEMBER 2004, THE OFFICE OF CONTRACTING AND PROCUREMENT ISSUED A TOTAL OF 426 ASMP CONTRACTS VALUED AT \$68.4 MILLION FOR INFORMATION TECHNOLOGY PROFESSIONAL SERVICES, OFFICE EQUIPMENT, HARDWARE, SOFTWARE, ADVERTISING, AND TRAINING.

CURRENTLY, WE ARE REVIEWING 31 INFORMATION TECHNOLOGY PROFESSIONAL SERVICE CONTRACTS VALUED AT \$15.3 MILLION (FROM A TOTAL OF \$44.1 MILLION) TO DETERMINE WHETHER:

- FULL AND OPEN COMPETITION OCCURRED OR APPROPRIATE DOCUMENTATION PROPERLY JUSTIFIED DEVIATIONS,
- AGENCIES ADHERED TO DISTRICT PROCUREMENT RULES AND REGULATIONS, AND
- DISTRICT INTERESTS WERE PROTECTED.

AUDIT ISSUES CURRENTLY UNDER EVALUATION

SINCE THE ASMP AUDIT IS ONGOING, IT SHOULD BE NOTED THAT AUDIT CONCLUSIONS HAVE NOT BEEN FINALIZED. OUR AUDIT TESTS WILL ASSESS THE VALIDITY AND THE IMPLICATIONS OF OUR PRELIMINARY OBSERVATIONS, AS FOLLOWS:

- 30 OF THE 31 INFORMATION TECHNOLOGY PROFESSIONAL SERVICE CONTRACTS UNDERGOING REVIEW WERE AWARDED USING SOLE-SOURCE PROCUREMENT AUTHORITY. FULL AND OPEN COMPETITION IS DESIRABLE.
- ALL 31 INFORMATION TECHNOLOGY PROFESSIONAL SERVICE CONTRACTS REVIEWED WERE AWARDED AS LABOR-HOUR CONTRACTS. SOME LACKED STATEMENTS OF WORK THAT WOULD ESTABLISH THE PARAMETERS OF THE WORK TO BE DONE.
- DURING THE PERIOD OF OUR REVIEW, THE ASMP WORKFORCE CONSISTED OF 89 CONTRACTOR EMPLOYEES AND 13 DISTRICT EMPLOYEES.
- ASMP INFORMATION TECHNOLOGY PROFESSIONAL SERVICE CONTRACTORS WERE PAID BETWEEN \$100 AND \$375 PER HOUR, AN ANNUAL RATE OF \$208,000 TO \$780,000.
- THE CONTRACTS WE HAVE REVIEWED THUS FAR LACKED A DESIGNATED CONTRACT ADMINISTRATOR/CONTRACTING OFFICERS TECHNICAL REPRESENTATIVE (COTR). A DESIGNATED CONTRACT ADMINISTRATOR IS INTENDED TO MONITOR THE CONTRACT AND TO ENSURE THE DISTRICT

RECEIVES IT DELIVERABLES WITHIN THE TERMS OF THE CONTRACT.

- OCP AWARDED KEANE, INC. AND ACCENTURE, LLP SOLE-SOURCE CONTRACTS EXCEEDING \$1 MILLION WITHOUT OBTAINING COUNCIL APPROVAL.
- CERTAIN INVOICES SUBMITTED BY KEANE, INC. AND ACCENTURE, LLP ARE INDICATORS THAT THESE CONTRACTORS WERE PROVIDING SERVICES TO OCTO WITHOUT A VALID WRITTEN CONTRACT, WHICH WOULD BE A VIOLATION OF DISTRICT REGULATIONS.

THE MARASCO NEWTON/SRA AUDIT

FOLLOWING THE SEPTEMBER 11TH ATTACKS IN 2001, THE DISTRICT OF COLUMBIA EMERGENCY MANAGEMENT AGENCY HAD AN IMMEDIATE NEED FOR A CONTRACTOR TO PROVIDE EMERGENCY OPERATIONS PLANNING, SUPPORT, STRATEGIC MANAGEMENT, FIRE AND HAZMAT ASSESSMENT, AND TRAINING SUPPORT. TO MEET THIS NEED, OCP CONTRACTED WITH MARASO NEWTON/SRA.

THE OBJECTIVES, WITH REGARD TO THE MARASCO NEWTON/SRA AUDIT, ARE TO DETERMINE WHETHER: (1) OCP AWARDED

CONTRACTS IN AN EFFICIENT, EFFECTIVE, AND ECONOMICAL MANNER; (2) OCP COMPLIED WITH REQUIREMENTS OF APPLICABLE LAWS, RULES, REGULATIONS, POLICIES, AND PROCEDURES IN AWARDING CONTRACTS; AND (3) THE DISTRICT RECEIVED THE SERVICES FOR WHICH IT CONTRACTED.

THE INITIAL SCOPE OF THIS AUDIT INCLUDES CONTRACTS AWARDED DURING THE PERIOD FEBRUARY 2002 THROUGH MAY 2004, WHICH HAVE A TOTAL DOLLAR VALUE OF ABOUT \$4.3 MILLION.

AUDIT ISSUES CURRENTLY UNDER EVALUATION

BASED ON CONCERNS RAISED BY YOU, MR. CHAIRMAN, DEPUTY MAYOR TILLERY REQUESTED AN AUDIT OF THE MARASCO NEWTON/SRA CONTRACTS. AREAS CURRENTLY UNDER REVIEW INCLUDE:

- SOLE-SOURCE PROCUREMENT;
- CONTRACT COST ESCALATION; AND
- POTENTIAL CONFLICTS OF INTEREST.

THANK YOU FOR PROVIDING ME THE OPPORTUNITY TO SHARE
WITH YOU OUR PRELIMINARY CONCERNS REGARDING THE AUDIT
OF ASMP AND THE AUDIT SURVEY EFFORTS WITH REGARD TO THE
MARASCO NEWTON/SRA CONTRACTS. AT THIS TIME, MY
COLLEAGUES AND I WILL BE HAPPY TO ANSWER YOUR
QUESTIONS.